



## ROLE OF ETHICS IN BUSINESS

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### ABSTRACT

Business ethics play a crucial role in shaping the conduct of employees, fostering trust between companies and their customers, and ensuring accountability towards society and the environment. By embedding a comprehensive code of ethics, companies can navigate legal and moral complexities, bolstering brand reputation and financial performance. Ethical business practices not only establish trust and loyalty among stakeholders but also pave the way for long-term profitability and sustainable success. For business leaders, prioritizing ethical decision-making and corporate social responsibility is essential for achieving a competitive advantage and maintaining a positive organizational culture. There are certain parameters, which influence the extensive level and degree to which ethics has been analysed by scholars and researchers in recent years, such as globalization, technology, intangible assets, talent management. Organizational and educational leadership is responsible for practices such as creating the foundations for the resourceful and ethical performance of the business. It is one of the most powerful and important aspects of human activities in organizations. Business is a broader term, it includes Advertising and Management.

### KEY WORDS:

Ethics, Ethical behaviour, work place ethics, examples

### INTRODUCTION

Business ethics refers to a 'code of conduct' that businessmen must follow while dealing with others. A 'Code of Conduct' is a set of principles and expectations that are considered binding on any person who is a member of a particular group. The alternative names for code of conduct are 'code of ethics' or 'code of practice'.



Business ethics comprises the principles and standards that guide behaviour in the conduct of business. Businesses must balance their desire to maximize profits against the needs of the stakeholders. Maintaining this balance often requires trade offs.

### **Business Ethics: Building Trust and Fair Practices**

Business ethics ensure that a certain basic level of trust exists between consumers and various forms of market participants with businesses. For example, a portfolio manager must give the same consideration to the portfolios of family members and small individual investors as they do to wealthier clients. These kinds of practices ensure the public receives fair treatment.

The concept of business ethics began in the 1960s as corporations became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes, and corporate responsibility. The increased focus on "social issues" was a hallmark of the decade.

Since that time, the concept of business ethics has evolved. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally vs. maintaining a competitive advantage over other businesses. Firms display business ethics in several ways.

### **KEY PRINCIPLES DRIVING BUSINESS ETHICS**

. There are generally 12 business ethics principles:

- **Leadership:** The conscious effort to adopt, integrate, and emulate the other 12 principles to guide decisions and behavior in all aspects of professional and personal life.
- **Accountability:** Holding yourself and others responsible for their actions. Commitment to following ethical practices and ensuring others follow ethics guidelines.
- **Integrity:** Incorporates other principles—honesty, trustworthiness, and reliability. Someone with integrity consistently does the right thing and strives to hold themselves to a higher standard.



- **Respect for others:** To foster ethical behavior and environments in the workplace, respecting others is a critical component. Everyone deserves dignity, privacy, equality, opportunity, compassion, and empathy.
- **Honesty:** Truth in all matters is key to fostering an ethical climate. Partial truths, omissions, and under or overstating don't help a business improve its performance. Bad news should be communicated and received in the same manner as good news so that solutions can be developed.
- **Respect for laws:** Ethical leadership should include enforcing all local, state, and federal laws. If there is a legal grey area, leaders should err on the side of legality rather than exploiting a gap.
- **Responsibility:** Promote ownership within an organization, allow employees to be responsible for their work, and be accountable for yours.
- **Transparency:** Stakeholders are people with an interest in a business, such as shareholders, employees, the community a firm operates in, and the family members of the employees. Without divulging trade secrets, companies should ensure information about their financials, price changes, hiring and firing practices, wages and salaries, and promotions are available to those interested in the business's success.
- **Compassion:** Employees, the community surrounding a business, business partners, and customers should all be treated with concern for their well-being.
- **Fairness:** Everyone should have the same opportunities and be treated the same. If a practice or behavior would make you feel uncomfortable or place personal or corporate benefit in front of equality, common courtesy, and respect, it is likely not fair.
- **Loyalty:** Leadership should demonstrate commitment to their employees and the company. Inspiring loyalty in employees and management ensures that they are committed to best practices.
- **Environmental concern:** In a world where resources are limited, ecosystems have been damaged by past practices, and the climate is changing, it is of utmost importance to be aware of and concerned about the environmental impacts a business has. All employees should be encouraged to discover and report solutions for practices that can add to damages already done.



## THE IMPORTANCE OF BUSINESS ETHICS FOR MODERN COMPANIES

There are several reasons business ethics are essential for success in modern business. Importantly, ethics programs set a code of conduct guiding personnel behaviour, from executives to new employees.

When all employees make ethical decisions, the company establishes a reputation for ethical behaviour. Its reputation grows, leading to benefits like:

- Brand recognition and growth
- Increased ability to negotiate
- Increased trust in products and services
- Customer retention and growth
- Attracting talent
- Attracting investors

When combined, all these factors affect a business' revenues. Those who fail to set ethical standards and enforce them are doomed to eventually find themselves alongside Enron, Arthur Andersen, Wells Fargo, Lehman Brothers, Bernie Madoff, and many others.

### Exploring Different Types of Business Ethics

There are various types of business ethics. What mainly makes a business stand out are its corporate social responsibility practices, transparency and trustworthiness, fairness, and technological practices.

#### Corporate Social Responsibility

Corporate social responsibility (CSR) is the concept of meeting the needs of stakeholders while accounting for the impact meeting those needs has on employees, the environment, society, and the community in which the business operates. Finances and profits are important, but they should be secondary to the welfare of society, customers, and employees. In fact, studies have concluded that corporate governance and ethical practices increase financial performance.



## **FAST FACT**

A greater focus on business ethics is an expense that tends to pay off. Over time, it boosts revenues and limits damaging lawsuits.

### **Transparency and Trustworthiness**

It's essential for companies to ensure they are reporting their financial performance in a way that is transparent. This not only applies to required financial reports but all reports in general.

Most of these reports outline not only the submitted reports to regulators, but how and why decisions were made, if goals were met, and factors that influenced performance. CEOs write summaries of the company's annual performance and give their outlooks.

Press releases are another way companies can be transparent. Events important to investors and customers should be published, regardless of whether it is good or bad news.

### **Technological Practices and Ethics**

The growing use of technology of all forms in business operations inherently comes with a need to ensure the technology and information being gathered is used ethically. Additionally, it should ensure that the technology is secured to the utmost of its ability, especially as many businesses store customer information and collect data that those with nefarious intentions can use.

### **Fairness**

A workplace should be inclusive, diverse, and fair for all employees regardless of race, religion, beliefs, age, or identity. A fair work environment is where everyone can grow, be promoted, and become successful in their own way.

## **GREAT EXAMPLES OF ETHICAL DECISION MAKING IN BUSINESS**

Contrary to popular belief, ethical decision-making often leads to wealth and success in business.



Fortunately, there are many examples of how ethical decision-making can help a business make money. Making good ethical business decisions can also improve your relationship with employees.

#### 1. Costco's Decision To Pay Fair Wages

Costco Wholesale (NASDAQ: COST) is one of the biggest successes in American retail.

Much of Costco's success comes from the high level of customer service offered by satisfied employees. One reason Costco can attract high-quality employees is its willingness to pay higher-than-average wages. Costco succeeds because it can attract the best workers. Additionally, Costco avoids labor trouble, high turnover, and conflict because its employees are happier.

#### 2. Volkswagen's Strategy to Reduce its Workforce Without Layoffs

Volkswagen AG (GR: VOW) follows a historic German policy of reducing its workforce without layoffs. However, existing workers in Volkswagen's German operations will not face layoffs for ten years, The Associated Press claims. No layoffs are a smart policy because it increases worker morale.

#### 3. Best Buy's Commitment to Sustainability

*Barron's* named electronics retailer Best Buy (NYSE: BBY) "America's most sustainable company" in February 2019. Best Buy CEO Hubert Joly is committed to reducing his company's environmental impact by reducing waste.

#### 4. Woolworths gets out of liquor and gambling.

**Australia's** largest grocer, Woolworths Group Limited (OTCMKTS: WOLWF), plans to stop selling liquor and sell its gambling operations. Woolworths will lose revenues by separating its gambling, pub, liquor, and hotel operations. However, the company's reputation could benefit. Australian mothers have criticized Woolworths for its investments outside groceries.



#### 5. CVS Health Stops selling tobacco

The American drug store and health insurance giant **CVS Health (NYSE: CVS)** stopped selling tobacco products in 2014. CVS stopped selling cigarettes and other tobacco products in September 2014. Interestingly, American cigarette sales fell by 1% in states where CVS had a 15% or greater share of the pharmacy market, a press release claims.

#### 6. Chick-fil-A Pays for Employee Education

The American fast-food chain will pay up to \$25,000 in tuition assistance to employees. Moreover, Chick-fil-A claims to have paid \$75 million in tuition to 53,000 employees, *Restaurant Business* estimates.

#### 7. McDonald's Invests in Employee Skills and Animal Rights

Taking an interest in employee well-being could end a labor shortage at McDonald's (NYSE: MCD). Recently, when faced with a labor shortage in the United States, the fast-food giant surveyed 6,500 workers to determine what was wrong, *QSR Magazine* reports. Nor is it just employees; McDonald's treats them well. McDonald's USA plans to use 100% cage-free eggs in its Egg McMuffins by 2025. A press release claims that the company is trying to source two billion cage-free eggs annually. Thus, McDonald's is committed to animal rights and employees.

#### 8. Chipotle Mexican Grill commits to animal welfare

Evolving practices drive McDonald's interest in animal welfare at a successful competitor. In particular, Chipotle Mexican Grill (NYSE: CMG) wins awards for its efforts to buy ethically raised meat. Chipotle is one of the biggest success stories in American fast food. Chipotle Mexican Grill reports an 8.68% revenue growth rate for 2018.

#### 9. Musk Dumps Trump

One entrepreneur who discovered the cost of ethical commitments the hard way is Elon Musk. Tesla Motors (NASDAQ: TSLA) and SpaceX CEO had to choose between ethics and a

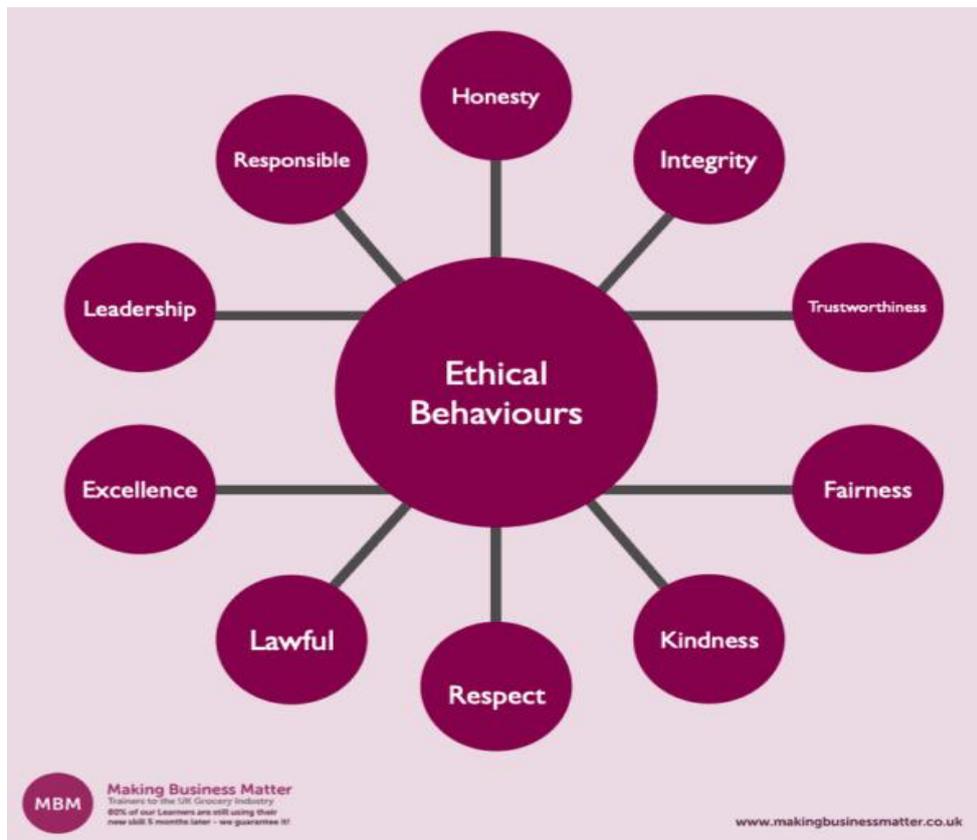


potentially valuable political relationship. However, Musk's ethical commitment to electric vehicles is proving costly. Tesla Motors reported a -\$976 million annual loss for 2018.

#### 10. Nike stands by Colin Kaepernick

Another example of the controversy that ethical stands can generate is the decision of the athletic shoe manufacturer Nike to stand by controversial American football player Colin Kaepernick. Nike is paying Kaepernick millions to participate in its latest "Just Do It Campaign." The company even plans to give Kaepernick his own branded line of shoes, *Bleacher Report* claims.

### ETHICAL BEHAVIOUR





## **Types of Workplace Ethics**

Archie B. Carroll has identified three types of management ethics or standards of conduct. They are as follows:

### **1. Immoral Management**

It suggests a lack of ethical standards that managers adopt. Even if it is harmful to ethical requirements or employee concerns, managers want to maximise profits.

### **2. Moral Management**

In this, managers strive to increase profits, considering ethics. They adhere to standards of conduct that are ethical and legal. The core principle here is, 'Is this action fair to us and all parties involved?'

### **3. Amoral Management**

It falls between moral and unethical management ethics. Managers only react to personal and legal ethics if they are expected to do so. Otherwise, there is a lack of ethical interpretation.

## **CONCLUSION**

Business Ethics studies how to deal with corporate governance, whistleblowing, corporate culture, and corporate social responsibility. It emphasizes standard principles prescribed by governing bodies. Non-compliance with business ethics leads to unnecessary legal actions. In conclusion, ethics is not just a set of rules; it's a fundamental aspect of responsible business conduct. It shapes organizational culture, impacts stakeholder relationships, and contributes to the long-term success and sustainability of businesses. Embracing ethics in business is not only a moral imperative but also a strategic advantage in today's complex and interconnected world.



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